

**STATE OF RHODE ISLAND
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF BANKING
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BANKING REGULATION 98-14

LICENSEES

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98-14-1. AUTHORITY.

This regulation is promulgated pursuant to the authority granted in Section 30 of Chapter 14 of Title 19 of the General Laws of Rhode Island.

98-14-2. PURPOSE.

The purpose of this regulation is to set forth procedures to carry out the provisions of Chapter 14 of Title 19 of the General Laws of Rhode Island entitled "Licensed Activities". The actions and information required by this regulation are hereby declared to be necessary and appropriate in the public interest.

98-14-3. SEVERABILITY.

If any provision of this regulation or the application thereof to any person or circumstances is held invalid or unconstitutional, the invalidity or unconstitutionality shall not affect other provisions or applications of this regulation which can be given effect without the

invalid or unconstitutional provision or application, and to this end the provisions of this regulation are severable.

98-14-4. DEFINITIONS.

Unless otherwise provided by this regulation or unless the context clearly requires otherwise, terms used in this regulation shall have the same meaning as the terms as defined in Title 19.

98-14-5. PROVISIONS.

(a) MINIMUM CAPITAL

As provided in R.I.Gen. Laws § 19-14-5, each licensee which applied for and is granted a license after June 30, 1995 must maintain minimum net worth, as set forth in R.I.Gen. Laws § 19-14-5. Net worth shall be defined as the amount by which total assets exceed total liabilities, calculated in accordance with Generally Accepted Accounting Principles.

(b) ISSUANCE OR DENIAL OF LICENSE - EXPERIENCE

The Director, or his or her designee, considers the experience factor of the manager or person designated to operate the licensed business to be satisfied when an individual has acquired at least five (5) years of experience in the type of business for which a license is being sought including, without limitation, employment, supervision, or independent work experience. Factors to be considered when assessing the quality of an individual's experience shall include the number, complexity and types of transactions handled in relation to the type of license sought by the application.

The Director, or his or her designee, will consider experience for a lesser period than five (5) years depending on individual circumstances. Factors which the Division shall consider for such a lesser experience period include but are not limited to the individual's educational experience, the complexity of transactions in relation to the type of license sought by the application and the supervision and oversight over the manager or person designated to operate the licensed business by a person having at least five (5) years of qualified experience.

(c) CHANGE IN OWNERSHIP

Any change in ownership of twenty-five percent (25%) or more of the voting stock or equity interests of a licensee requires notification to the Director fifteen (15) days after such a change in ownership. With the notice of a change in ownership to the Director, the licensee shall submit information in substantially the same form as a new application relating to the new owner(s) and new directors, officers and managers, including names, addresses and personal background information. If the new owner(s) and new directors, officers and managers have the financial responsibility, experience, character and general fitness as required of an applicant, the Director shall approve such change in control. The Director shall approve or deny such a change in control within thirty (30) days of receipt of all information the Director requires to be filed to make such a determination.

(d) BOOKS ACCOUNTS AND RECORDS

Each lender, loan broker and small loan lender licensee must document and maintain a record of all actions taken, from the original point of contact (i.e. solicitation calls, application

filing, etc.) to the final disposition of each financing request received, and shall maintain at a minimum, the following records:

1. A financial statement, prepared at a minimum on a quarterly basis, which evidences compliance to applicable statutory net worth requirements.
2. In each customer file folder:
 - a) The address of the office where the application was received for any licensee which maintains more than one (1) location.
 - b) A copy of the following documents:
 - i) The loan application.
 - ii) The loan note.
 - iii) Settlement sheet.
 - iv) All required Regulation Z and Real Estate Settlement Procedures Act Disclosures.
 - v) Title waiver forms pursuant to R.I.Gen. Laws §§ 19-9-5 and 19-9-6.
 - vi) Adverse action, where applicable.
 - vii) Signed rate lock agreements, where applicable, with lender rate lock confirmation.
 - viii) Copies of mortgage documents containing fee disclosures required by statute.
 - ix) Date the application was considered complete for purposes of Federal Regulation B.

3. A loan log which contains, at a minimum, the name of the applicant, the date the application was received, the date the application was approved, withdrawn or denied, and the date the loan closed.
4. The above documents must be kept on file for a minimum of three (3) years from the application date, for loan brokers, and a minimum of three (3) years from the date a loan is paid in full or sold, for lenders and small loan lenders.
5. A complete list of all loans brokered or funded from the date of the later of the last Division of Banking examination or the date of licensing.

Each sale of check, electronic money transfer, and check cashing licensee, or duly appointed agents where applicable, must document and maintain a record of all sale of check, electronic money transfer, and check cashing activity, to verify compliance with applicable state and federal laws and regulations, and shall maintain at a minimum, the following records:

1. A financial statement, prepared at a minimum on a quarterly basis, which evidences compliance to applicable statutory net worth requirements.
2. Daily cash sheets which reflect all transactions for each day.
3. Cash sheet balancing and settlement records.
4. Log sheets/registers for the following items:
 - Money orders, travelers checks, or other checks sold or issued;
 - Electronic money transfers made.
 - Food stamps issued; and
 - Utility payments accepted.

5. Inventory and reconciliation records relating to money order, travelers checks, other checks, and food stamps issued or sold.
6. A register of all checks, money orders, or drafts, that have been altered, forged, stolen, obtained through fraudulent or illegal means, negotiated without proper legal authority, or which represent the proceeds of illegal activity, after having been advised as such by the payor financial institution.
7. All reports and records required to be filed and maintained pursuant to Title 31, Code of Federal Regulations, Part 103, as amended, entitled "Financial Recordkeeping and Reporting of Currency and Foreign Transactions".
8. A copy of the licensee's written policy and affirmative program to insure compliance with state and federal money laundering statutes.

Each check cashing licensee shall also maintain the following additional records:

1. A conspicuously posted notice stating the charges for cashing checks.
2. A log or other record which evidences scheduled inspections, testing, and servicing of security devices installed at the licensed location.

(e) ADVERTISING

Each licensee shall include in all advertisements disseminated primarily in Rhode Island words substantially similar to "Rhode Island Licensed Lender", "Rhode Island Licensed Loan Broker", Rhode Island Licensed Small Loan Lender", "Rhode Island Licensed Check Cashier", "Rhode Island Licensed Seller of Checks", or "Rhode Island Licensed Money Transferor", whichever is applicable.

98-14-6. EFFECTIVE DATE.

Effective date: August 9, 1998.

Refiled date: December 19, 2001.

